

General Information Letter: Organizations exempt from federal taxation under IRC § 501(a) are exempt from Illinois income tax except to the extent they have unrelated business taxable income.

March 19, 1999

Dear:

This is in response to your letter dated February 23, 1999 in which you state the following:

I have been given this information about filing the 990 form.

The xxxxxxxxxx office of the xxxxxxxx Church in xxxxxx, Missouri gave me this information about the 990-tax form, which is enclosed. It explains why we do not filed the 990 form, and also, why xxxxxx xxxxxxxxx School should be exempt from filing the 990 form.

Page 1 - cover letter

Page 2 - Tax Code (Exemption from Filing Form 990)

Page 3,4 - Group Tax Exempt Ruling

Page 5 - Request and Authorization for Inclusion Dated Oct. 27, 1994

Page 6 - xxxxxx xxxxxxxxx School in the xxxxxxxxx Church Missouri xxxx Handbook.

Please write or call my office for further information.

Your letter seems to request information as to your organization's filing requirements with Illinois after receiving a tax exempt status under the Internal Revenue Code ("IRC"). According to the Department of Revenue ("Department") regulations, the Department may issue only two types of letter rulings: Private Letter Rulings ("PLR") and General Information Letters ("GIL"). For your convenience, we enclose a copy of 2 Ill.Adm.Code §1200 explaining these two types of rulings issued by the Department.

Due to the nature of your inquiry and the information presented in your letter, we are required to respond with a GIL. GILs are designed to provide background information on specific topics. GILs, however, are not binding on the Department.

The information provided in your letter indicates that your organization is covered under

§501(c)(3) of the IRC, which in turn exempts you from federal income taxation by reason of §501(a) of the IRC. Pursuant to §205(a) of the Illinois Income Tax Act ("IITA"), an organization that is exempt from federal income taxation by reason of §501(a) of the IRC is also, without application, exempt from Illinois income taxation, unless it has unrelated business income as determined under §512 of the IRC, and further defined in §513 of the IRC (see enclosed copies of these Sections).

Accordingly, if your organization has no unrelated business income, its exemption from Illinois income tax is automatic by reason of its federal exemption under §501(a) of the IRC. No application for Illinois exemption is necessary, nor is there a filing requirement for Illinois income tax purposes. However, and if this is your situation, should your organization's tax exempt status change in

the future or your organization begins to incur any unrelated business income as defined in Section 512, you will then be required to file an Illinois income tax return along with Form IL-990-T.

On the other hand, if your organization currently receives unrelated business income as determined under §512 of the IRC, you will be subject to Illinois income tax, including personal property replacement income tax and estimated income tax payments on such unrelated business taxable income. Such income must be reported by your organization on Form IL-990-T. We have enclosed Form IL-990-T and its corresponding instructions for your reference. We are also enclosing herewith Form NUC-1 which is used to register businesses with the Illinois Department of Revenue. An organization required to file Form IL-990-T must also register by filing Form NUC-1.

Should you have additional questions or concerns, please feel free to contact our office in the future.

Sincerely,

Heidi Scott
Staff Attorney -- Income Tax